

1 CALIFORNIA DEPARTMENT OF INSURANCE
2 OFFICE OF THE COMMISSIONER
3 45 Fremont Street, 23rd Floor
4 San Francisco, CA 94105
5 Telephone: 415-538-4010
6 Facsimile: 415-904-5889
7

8 **BEFORE THE INSURANCE COMMISSIONER**
9 **OF THE STATE OF CALIFORNIA**
10

11 In the Matter of the Rates, Rating Plans, or
12 Rating Systems of

13 **ALLSTATE INSURANCE**
14 **COMPANY AND ALLSTATE**
15 **INDEMNITY COMPANY**

16 Respondents.

File No. PA-2007-00011

NOTICE OF NONCOMPLIANCE
AND ORDER TO SHOW CAUSE

17 **TO: RESPONDENTS ALLSTATE INSURANCE COMPANY AND ALLSTATE**
18 **INDEMNITY COMPANY:**

19 NOTICE IS HEREBY GIVEN that the Insurance Commissioner of the State of California
20 (Commissioner) has determined that good cause exists to believe that the rates being charged by
21 Respondents for policies of Homeowners Multiple Peril (Multi-Peril) insurance are excessive.
22 Pursuant to California Insurance Code (Cal. Ins. Code.) section 1861.05 no rate shall remain in
23 effect which is excessive. The charging of excessive rates violates the provisions of Cal. Ins.
24 Code section 1861.05.

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1 **RESPONDENTS ARE HEREBY FURTHER NOTIFIED:**

2
3 1. Pursuant to Cal. Ins. Code section 1858.1 unless Respondents can show cause as to why
4 the noncompliance alleged herein does not exist by establishing compliance to the satisfaction of
5 the Commissioner, Respondents are ordered to correct the noncompliance within 10 days of the
6 date of this Notice.

7 2. Pursuant to Cal. Ins. Code section 1858.2, if within 10 days of the date of this notice
8 Respondents do not make those changes as may be necessary to correct the noncompliance
9 alleged herein or Respondents fail to show cause as to why the noncompliance alleged herein
10 does not exist a notice of public hearing will issue and a public hearing will commence 30 days
11 after the date of that notice of public hearing.

12 3. Pursuant to Cal. Ins. Code section 1858.3 if, after the hearing held pursuant to Cal. Ins.
13 Code section 1858.2, the Commissioner finds that the rates being charged by Respondents for
14 policies of Homeowners Multi-Peril insurance are excessive and being charged in violation of the
15 provisions of Cal. Ins. Code section 1861.05, the continued charging of those rates shall be
16 prohibited.

17 4. Pursuant to Cal. Ins. Code section 1858.3 if, after the hearing held pursuant to Cal. Ins.
18 Code section 1858.2, the Commissioner finds that the rates being charged by Respondents for
19 policies of Homeowners Multi-Peril insurance are excessive and being charged in violation of the
20 provisions of Cal. Ins. Code section 1861.05, the Commissioner will take any and all corrective
21 action as may be deemed necessary and proper, including but not limited to, the ordering of
22 premium credit to policyholders to offset excessive premiums already paid and / or monetary
23 assessments to facilitate the refunding to policyholders of excessive premium dollars collected
24 pursuant to the charging of excessive rates in violation of Cal. Ins. Code section 1861.05.

25 5. To respond to this Notice of Noncompliance and Order to Show Cause Respondents shall
26 submit an original and four (4) copies of the responsive document to Donald P. Hilla, Senior
27 Litigation Counsel, 45 Fremont Street, 21st Floor, San Francisco, CA 94105 within 10 days of the
28 date of this notice.

1 Specifics as to the manner and extent of noncompliance are set forth below.

2 3 I. GENERAL ALLEGATIONS

4 6. Respondents are and were at all relevant times insurers licensed to transact and did
5 transact the business of insurance in the State of California including the sale of policies of
6 Homeowners Multi-Peril insurance and did market and sell said policies.

7 7. Pursuant to Cal. Ins. Code section 700(c) all insurers engaged in the business of
8 insurance in this state are required to comply with all statutory requirements of the
9 insurance laws of this state.

10 8. Pursuant to Cal. Ins. Code section 1861.05, no rate charged for a policy of
11 insurance in those lines subject to Cal. Ins. Code section 1861.05 shall remain in effect
12 where those rates are excessive. Homeowners Multi-Peril insurance is a line of insurance
13 subject to California Insurance Code section 1861.05. The Commissioner hereby notifies
14 Respondents that he has determined and has good cause to believe the rates being charged
15 by Respondents for policies of Homeowners Multi-Peril are excessive, are being charged
16 in noncompliance with the law and that Respondents knew or should have known the rates
17 being charged were excessive and in violation of the law.

18 II. RESPONDENTS' NONCOMPLIANCE

19
20 9. Pursuant to Cal. Ins. Code section 1858.1, upon the basis of information obtained from
21 Respondents, the Commissioner has determined that good cause exists to believe that the rates
22 being charged by Respondents for policies of Homeowners Multi-peril insurance do not comply
23 with the requirements of the law, specifically, the rates being charged by Respondents for
24 policies of Homeowners Multi-peril insurance are excessive, within the meaning and in violation
25 of California Insurance Code section 1861.05. (See attached calculation and supporting
26 documentation designated Exhibit 1.)

27 10. The Commissioner has determined that good cause exists to believe that the rates being
28 charged by Respondents for policies of Homeowners Multi-peril insurance do not comply with

1 the requirements of the law, specifically, that the rates being charged by Respondents for
2 policies of Homeowners Multi-peril insurance are excessive, within the meaning of California
3 Insurance Code section 1861.05. Specifically, application of California Code of Regulations
4 (Cal. Code Regs.) sections 2641.1 *et seq.* which are designed to implement and make specific the
5 requirements of Cal. Ins. Code section 1861.05, provides evidence that Respondents rates are
6 excessive and should be reduced 43.88% in order to be in compliance with the law. (See
7 attached calculation and supporting documentation designated Exhibit 1.)

8 9 **III. PRAYER FOR RELIEF**

10 11. Pursuant to Cal. Ins. Code section 1861.05, as implemented and made specific by Cal.
11 Code Regs, sections 2641.1 *et seq.*, in order to correct the noncompliance herein alleged,
12 Respondents must reduce the rates charged for policies of Homeowners Multi-Peril insurance by
13 43.88%

14 12. Pursuant to Cal. Ins. Code section 1858.1 unless Respondents can show cause as to why
15 the noncompliance alleged herein does not exist Respondents are ordered to correct this
16 noncompliance by reducing the rates charged for policies of Homeowners Multi-Peril insurance
17 by 43.88% within 10 days of the date of this Notice.

18 13. Pursuant to Cal. Ins. Code section 1858.2, Respondents are ordered to, within 10 days of
19 the date of this notice, make those changes as may be necessary to correct the noncompliance
20 alleged herein or show cause as to why the noncompliance alleged herein does not exist.

21 14. Pursuant to Cal. Ins. Code section 1861.05, the Commissioner is charged with protecting
22 the citizens of this state from excessive insurance rates. Respondents are on notice that the
23 Commissioner has determined and has good cause to believe the rates being charged by
24 Respondents are now and have been excessive and in order to correct the noncompliance
25 Respondents should cease and desist charging excessive rates for policies of Homeowners Multi-
26 Peril insurance as excessive rates may not lawfully be charged in this state.

27 15. If, after the hearing held pursuant to Cal. Ins. Code section 1858.2, the Commissioner
28 finds that the rates being charged by Respondents for policies of Homeowners Multi-Peril

1 insurance are excessive and have been and are being charged in violation of the provisions of Cal.
2 Ins. Code section 1861.05, pursuant to Cal. Ins. Code 1858.3 the Commissioner will take any and
3 all corrective action as may be deemed necessary and proper, including but not limited to, credit
4 to policyholders for excessive premium already paid or monetary assessments to facilitate the
5 refunding to policyholders of excessive premium paid resultant from the charging of excessive
6 rates in violation of Cal. Ins. Code section 1861.05.

7 8 IV. APPLICABLE LAW AND PROCEDURE

9 16. If, pursuant to Cal. Ins. Code section 1858.1, Respondents cannot show cause as to why
10 the noncompliance alleged herein does not exist by establishing to the satisfaction of the
11 Commissioner that the noncompliance does not exist, or if pursuant to Cal. Ins. Code section
12 1858.2, within 10 days of the date of this notice Respondents do not make those changes as may
13 be necessary to correct the noncompliance alleged herein and if a notice of public hearing issues
14 and a public hearing commences 30 days after the date of this notice, the purpose of that public
15 hearing will be to ascertain whether Respondent's current rates comply with the requirements of
16 Cal. Ins. Code section 1861.05.

17 17. Specifically the hearing will be held for the purpose of determining whether the current
18 rates being charged by Respondents are excessive and being charged in violation of Cal. Ins.
19 Code section 1861.05 by application of the pertinent portions of Cal. Code Regs. sections 2644.1
20 *et seq.*

21 18. The hearing shall be conducted pursuant to the requirements set forth in Cal. Ins. Code
22 section 1861.08 which requires the hearing be conducted pursuant to Chapter 5, commencing
23 with Section 11150 of Part 1 of Division 3 of title 2 of the Californian Government Code with the
24 exception that the hearing be conducted by the California Department of Insurance
25 Administrative Law Judges.

26 19. The hearing shall also be conducted pursuant to Cal. Code Regs. section 2646.4 and
27 pursuant to all the instructions contained herein. Specifically, as the Commissioner has
28 determined and has good cause to believe the rates in effect and being charged by Respondents

1 are excessive, and as the Commissioner has alleged so herein, pursuant to Cal. Code Regs section
2 2646.4 subsection (a)(2) the hearing will be for the purpose of determining whether the rates are
3 excessive.

4 20. In order to determine whether the rates are excessive the law governing is Cal. Ins. Code
5 section 1861.05 as implemented and made specific in Cal. Code Regs sections 2641.1 *et seq.*
6 Those regulatory sections shall be applied to Respondents' historical data to determine, through
7 application of the ratemaking formula, other formulae, and applicable calculations, according to
8 the procedures and instructions contained therein, whether the rates in effect and currently being
9 charged by Respondents are excessive.

10 21. Pursuant to Government Code section 11507.3(b) it is hereby ordered that in furtherance
11 of convenience and to expedite the proceeding this hearing shall be held in two separate parts.

12 22. Part one will be commenced for the sole purpose of determining whether the rates
13 currently being charged by Respondents for policies of Homeowners Multi-Peril insurance are
14 excessive and being charged in noncompliance with the law. Only in the case where Respondents
15 fail to meet their burden and the rates are found to be excessive and it is so ordered by the
16 Commissioner will the second part of the hearing be required.

17 23. At the conclusion of part one of the hearing the Administrative Law Judge will issue a
18 proposed decision on the issue of whether the rates in effect and being charged by Respondents
19 are excessive and being charged in noncompliance with the law. In the event the Administrative
20 Law Judge finds the rates to be excessive, pursuant to Cal. Code Regs. section 2644.1, the
21 proposed decision will include an indication as to the highest rate that may be charged that would
22 not be excessive. Pursuant to Government Code section 11517(c)(1) the proposed decision shall
23 be delivered to the Commissioner no later than 30 days after the case is submitted to the
24 Administrative Law Judge.

25 24. The Commissioner will then issue an Order as to whether Respondents' current rates are
26 excessive and if the Commissioner finds Respondents' current rates to be excessive, pursuant to
27 Cal. Code Regs. section 2644.1, the Order will include an indication as to the highest rate that
28 may be charged that would not be excessive. Pursuant to Cal. Ins. Code section 1858.3 the

1 Commissioner may also order Respondents to take such corrective action as he may deem
2 necessary and proper.

3 25. If, and only if, after part one of the hearing the Commissioner finds the current rates being
4 charged by Respondents are excessive within the meaning of and in noncompliance with Cal. Ins.
5 Code section 1861.05, and pursuant to Cal. Ins. Code section 1858.3 the Commissioner orders
6 credit to policyholders on excessive premium already paid or monetary assessments to facilitate
7 the refunding to policyholders of excessive premium collected, the second part of the hearing will
8 be held for the purposes of determining the amount of such monetary assessments or premium
9 credits and to ascertain the proper actuarial procedure to be used to calculate such refunds or
10 credits.

11 26. If the second part of the hearing is required to be held and the Commissioner has ordered
12 credits to policyholders on excessive premium already paid or monetary assessments to facilitate
13 the refunding to policyholders of excessive premium collected, at the conclusion of part two of
14 the hearing the Administrative Law Judge will issue a proposed decision on the issue of the
15 amount of monetary assessments or premium credits and the proper actuarial procedure to be
16 used to calculate such refunds or credits. Pursuant to Cal. Gov. Code section 11517(c)(1) the
17 proposed decision shall be delivered to the Commissioner no later than 30 days after the case is
18 submitted to the Administrative Law Judge.

19 27. If a proposed decision as described in paragraph 25 is delivered to the Commissioner, the
20 Commissioner will subsequently issue a final Order relating to premium credits, monetary
21 assessments, or other corrective action the Commissioner may deem necessary and proper
22 pursuant to Cal. Ins. Code section 1858.3.

23 28. Pursuant to Cal. Code Regs. section 2646.5, Respondents shall have the burden of
24 proving, by a preponderance of the evidence, that the rates are not excessive.

25 Dated: May 23, 2007

STEVE POIZNER
Insurance Commissioner

26
27 By Gary M. Cohen
28

Gary M. Cohen, General Counsel

RATE TEMPLATE				Version Date:	05/01/2007
CDI FILE NUMBER:	0				
COMPANY/GROUP:	0				
LINE OF INSURANCE:	HOMEOWNERS MULTIPLE PERIL				
COVERAGE:	0				
PRIOR EFF DATE:	01/00/1900				
PROPOSED EFF DATE:	01/00/1900				
DATA PROVIDED BY FILER					
Year:	0	0	0		
	PRIOR2	PRIOR1	RECENT	PROJECTED/ SUMMARY	
WRT PREM	0	0	837,587,698	837,587,698	
ERN PREM	0	0	817,233,459	817,233,459	
PREM ADJ	1.000	1.000	1.000		
PREM TREND	1.000	1.000	1.175		0.042
MISCELLANEOUS FEES (& other flat charges)	0	0	0		0
EARNED EXP	0	0	1,084,100	1,084,100	
LOSSES	0	0	195,542,292	195,542,292	
DCCE	0	0	0		0
LOSS DEV	1.000	1.000	1.237		
DCCE DEV	1.000	1.000	1.000		
CAT ADJ	1.000	1.000	1.620		
CREDIBILITY					100.00%
LOSS TREND	1.000	1.000	0.939		-0.016
DCCE TREND	1.000	1.000	1.000		0.000
ANC INC	0	0	0		0
FIT INV					26.64%
YIELD					6.25%
RE PREM	-	-	-		0
RE RECOV	-	-	-		0
CDI PARAMETERS:					
FIT UW					35.00%
EFF STANDARD					34.80%
LEVERAGE					1.88
PREMIUM TAX RATE					2.35%
SURPLUS RATIO					0.53
UEP RES RATIO					0.51
LOSS RES RATIO					0.94
RISK FREE RATE OF RETURN					4.88%
MAXIMUM RATE OF RETURN					10.88%
MINIMUM RATE OF RETURN					-6.00%
CDI CALCULATIONS:					
ADJ PREM	0	0	960,375,784	960,375,784	
ADJUSTED LOSSES	0	0	367,887,055	367,887,055	
ADJUSTED DCCE	0	0	0	0	
ADJUSTED LOSS+DCCE RATIO	0.00%	0.00%	38.31%	38.31%	
PREM PER EXP	#DIV/0!	#DIV/0!	885.87	885.87	
LOSS PER EXP	#DIV/0!	#DIV/0!	339.35	339.35	
DCCE PER EXP	#DIV/0!	#DIV/0!	0.00	0.00	
LOSS+DCCE PER EXP	#DIV/0!	#DIV/0!	339.35	339.35	
COMP LOSS+DCCE PER EXP	#DIV/0!	#DIV/0!	587.05	587.05	
ANC INC PER EXP	#DIV/0!	#DIV/0!	0.00	0.00	
RE PREM PER EXP	#DIV/0!	#DIV/0!	0.00	0.00	
RE RECOV PER EXP	#DIV/0!	#DIV/0!	0.00	0.00	
COMMISSION RATE					0.00%
FIXED INV INC	#DIV/0!	#DIV/0!	23	23	
VAR INV INC FACTOR					7.37%
ANNUAL NET TREND					-5.57%
COMP TREND					0.00%
EXPENSE EXCLUSION FACTOR					0.03%
MAX PROFIT					8.89%
MIN PROFIT					-4.90%
MAX DENOM					0.637
MIN DENOM					0.775
MAX PREMIUM					\$497.13
MIN PREMIUM					\$408.70
CHANGE AT MIN					-53.86%
CHANGE AT MAX					-43.88%
Alternate Calculation with Reinsurance					
RMAX PREMIUM					NA
RCHANGE AT MAX					NA

EXHIBIT

EFFICIENCY STANDARD TABLE

SOURCE 2003 - 2005 ROLLING AVG

DATE: Revised 04/16/2007

	Blended	Captive	Direct	Indep
ES:	34.80%	34.80%	29.72%	36.56%
LCES:	27.25%	27.25%	22.71%	31.90%

(Without ULAE)

Line	Captive	Direct	Indep	Line Description	Line	Captive	Direct	Indep
1.0	38.84%	24.80%	29.99%	FIRE	1.0	33.79%	21.91%	26.99%
2.1	38.55%	24.36%	31.87%	ALLIED LINES	2.1	32.35%	21.60%	29.20%
3.0	34.01%	23.46%	39.80%	FARM OWNERS MULTIPLE PERIL	3.0	27.18%	22.87%	35.03%
4.0	34.80%	29.72%	36.56%	HOMEOWNERS MULTIPLE PERIL	4.0	27.25%	22.71%	31.90%
5.0	35.16%	37.29%	36.05%	COMMERCIAL MULTIPLE PERIL (COMBIN	5.0	30.55%	32.09%	32.26%
5.1	36.95%	35.12%	35.70%	COMMERCIAL MULTIPLE PERIL(NON-LIAI	5.1	32.02%	31.91%	32.20%
5.2	31.39%	39.02%	36.45%	COMMERCIAL MULTIPLE PERIL(LIABILITY	5.2	27.45%	32.26%	32.32%
9.0	35.75%	27.46%	30.46%	INLAND MARINE	9.0	25.35%	26.46%	27.84%
11.1	22.60%	25.91%	29.81%	MEDICAL MALPRACTICE (occurrence)	11.1	17.57%	16.45%	26.27%
11.2	22.60%	25.91%	29.81%	MEDICAL MALPRACTICE (claims-made)	11.2	17.57%	16.45%	26.27%
12.0	24.04%	26.76%	24.71%	EARTHQUAKE	12.0	23.13%	26.63%	23.53%
17.1	31.70%	30.87%	28.26%	OTHER LIABILITY (occurrence)	17.1	27.55%	26.18%	24.53%
17.2	31.70%	30.87%	28.26%	OTHER LIABILITY (claims-made)	17.2	27.55%	26.18%	24.53%
18.1	29.02%	29.90%	30.76%	PRODUCTS LIABILITY (occurrence)	18.1	17.51%	18.07%	25.11%
18.2	29.02%	29.90%	30.76%	PRODUCTS LIABILITY (claims-made)	18.2	17.51%	18.07%	25.11%
19.2	32.37%	25.56%	34.08%	PRIVATE PASSENGER AUTO LIABILITY	19.2	23.54%	17.87%	25.75%
19.4	34.09%	29.88%	32.59%	COMMERCIAL AUTO LIABILITY	19.4	24.79%	25.27%	27.21%
21.1	33.24%	26.65%	33.95%	PRIVATE PASSENGER AUTO PHYSICAL I	21.1	23.19%	15.65%	25.72%
21.2	33.17%	34.83%	36.46%	COMMERCIAL AUTO PHYSICAL DAMAGE	21.2	23.67%	29.40%	31.34%
22.0	30.13%	22.59%	22.40%	AIRCRAFT	22.0	29.96%	20.04%	21.11%
23.0	24.00%	37.24%	31.01%	FIDELITY	23.0	24.00%	27.73%	28.41%
24.0	41.37%	38.86%	46.57%	SURETY	24.0	41.37%	37.66%	42.83%
26.0	43.27%	24.82%	27.38%	BURGLARY & THEFT	26.0	42.53%	20.65%	26.97%
27.0	21.70%	21.29%	39.52%	BOILER & MACHINERY	27.0	21.40%	20.63%	37.01%
33.0	43.68%	22.40%	24.95%	MISCELLANEOUS	33.0	38.30%	20.67%	23.13%

LEVERAGE RATIO TABLE

SOURCE: Bests Aggregates and Averages, 2005 Edition

DATE: Revised 04/16/2007

Line	LF	Line Description
1.0	1.5695	FIRE
2.1	1.5220	ALLIED LINES
3.0	2.0136	FARM OWNERS MULTIPLE PERIL
4.0	1.8836	HOMEOWNERS MULTIPLE PERIL
5.0	0.9757	COMMERCIAL MULTIPLE PERIL (COMBINED)
5.1	1.4540	COMMERCIAL MULTIPLE PERIL(NON-LIABILITY)
5.2	0.6574	COMMERCIAL MULTIPLE PERIL(LIABILITY)
9.0	1.8301	INLAND MARINE
11.1	0.3001	MEDICAL MALPRACTICE (occurrence)
11.2	0.6164	MEDICAL MALPRACTICE (claims-made)
12.0	1.0000	EARTHQUAKE
17.1	0.4609	OTHER LIABILITY (occurrence)
17.2	0.7265	OTHER LIABILITY (claims-made)
18.1	0.3009	PRODUCTS LIABILITY (occurrence)
18.2	0.8212	PRODUCTS LIABILITY (claims-made)
19.2	1.4114	PRIVATE PASSENGER AUTO LIABILITY
19.4	0.9519	COMMERCIAL AUTO LIABILITY
21.1	4.4178	PRIVATE PASSENGER AUTO PHYSICAL DAMAGE
21.2	2.6427	COMMERCIAL AUTO PHYSICAL DAMAGE
22.0	1.0690	AIRCRAFT
23.0	1.0859	FIDELITY
24.0	1.0780	SURETY
26.0	1.8645	BURGLARY & THEFT
27.0	1.7972	BOILER & MACHINERY
33.0	0.7816	MISCELLANEOUS

RESERVES RATIO TABLE

SOURCE: AM Best's Aggregates & Averages - Property Casualty, 2005 Edition

DATE: 04/16/2007

LINE	UEP	LOSS	Line Description
1.0	0.49	1.18	FIRE
2.1	0.46	0.65	ALLIED LINES
3.0	0.47	1.18	FARM OWNERS MULTIPLE PERIL
4.0	0.51	0.94	HOMEOWNERS MULTIPLE PERIL
5.0	0.49	2.24	COMMERCIAL MULTIPLE PERIL (COMBINED)
5.1	0.50	1.16	COMMERCIAL MULTIPLE PERIL(NON-LIABILITY)
5.2	0.46	3.12	COMMERCIAL MULTIPLE PERIL(LIABILITY)
9.0	0.39	0.94	INLAND MARINE
11.1	0.32	4.08	MEDICAL MALPRACTICE (occurrence)
11.2	0.36	2.71	MEDICAL MALPRACTICE (claims-made)
12.0	0.49	1.00	EARTHQUAKE
17.1	0.51	3.42	OTHER LIABILITY (occurrence)
17.2	0.45	2.30	OTHER LIABILITY (claims-made)
18.1	0.52	3.46	PRODUCTS LIABILITY (occurrence)
18.2	0.44	1.46	PRODUCTS LIABILITY (claims-made)
19.2	0.32	1.14	PRIVATE PASSENGER AUTO LIABILITY
19.4	0.44	2.18	COMMERCIAL AUTO LIABILITY
21.1	0.33	0.11	PRIVATE PASSENGER AUTO PHYSICAL DAMAGE
21.2	0.46	0.33	COMMERCIAL AUTO PHYSICAL DAMAGE
22.0	0.39	2.39	AIRCRAFT
23.0	0.54	2.54	FIDELITY
24.0	0.56	1.12	SURETY
26.0	0.53	5.56	BURGLARY & THEFT
27.0	0.47	3.37	BOILER & MACHINERY
33.0	1.10	2.58	MISCELLANEOUS

RATEMAKING DATA				
(Click + to expand for more than 3 years; - to contract)				
Company/Group				
Line Code	4.0			
Line Description	HOMEOWNERS MULTIPLE PERIL			
Coverage				
	%Captive	%Direct	%Independent	(Must add up to 100%)
Marketing System:	100.00%			
Prior Effective Date (current rates)				
Proposed Effective Date (new rates)				
CDI File Number (Department use only)				
Data below is:		Accident Year Data ▼		
	2nd Prior Year	1st Prior Year	Most Recent Year	Projected/ New Program*
1 California Direct Written Premium			837,587,698	
2 California Direct Earned Premium			817,233,459	
3 Premium Adjustment Factor (Developed in Exhibit 4)			1.000	
4 Premium Trend Factor * (Developed in Exhibit 5)			1.175	4.20%
5 Miscellaneous Fees and Flat Charges (Not included in Line 2; Developed in Exhibit 6)				
6 Earned Exposure Units			1,084,100	
7 Historic Losses			195,542,292	
8 Historic Defense and Cost Containment Expense (DCCE)				
9 Loss Development Factor (Developed in Exhibit 7)			1.237	
10 DCCE Development Factor (Developed in Exhibit 7)				
11 Loss Trend Factor* (Developed in Exhibit 8)			0.939	-1.60%
12 DCCE Trend Factor* (Developed in Exhibit 8)				
13 Catastrophe Adjustment Factor (Developed in Exh 9)			1.620	
14 Credibility Factor for Losses & DCCE (Developed in Exhibit 10)				100.00%
15 Excluded Expense Factor (Developed in Exhibit 11)				0.03%
16 Ancillary Income (Developed in Exhibit 12)				8,989,568
17 Projected Federal Income Tax Rate on Investment Income (Developed in Exhibit 13)				26.64%
18 Projected Yield (Developed in Exhibit 13)				6.25%
<u>Complete 19, 20 & 21 For Earthquake and certain Medical Malpractice with Reinsurance Only (see instructions)</u>				
19 Direct Commissions				
20 Reinsurance Premium (Developed in Exhibit 14)				
21 Reinsurance Recoverables (Developed in Exhibit 14)				
Variance Change to Rate of Return (Must be accompanied by Variance Request, subject to approval by CDI)				
Variance Change to Efficiency Standard (Must be accompanied by Variance Request, subject to approval by CDI)				
* For all trend factors, the Projected Column should reflect the annual trend expressed as a percentage.				
* Complete shaded boxes for New Programs				

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PROOF OF SERVICE
In the Matter of the Rates, Rating Plans, or Rating Systems of
ALLSTATE INSURANCE COMPANY,
ALLSTATE INDEMNITY COMPANY, Respondents
Case No. PA-2007-00011

I am over the age of eighteen years and am not a party to the within action. I am an employee of the Department of Insurance, State of California, employed at 45 Fremont Street, 19th Floor, San Francisco, California 94105. On May 23, 2007, I served the following document(s):

NOTICE OF NONCOMPLIANCE AND ORDER TO SHOW CAUSE

on all persons named on the attached Service List, by the method of service indicated, as follows:

If **U.S. MAIL** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items to be sent by mail, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for mailing by U.S. Mail. Under that practice, outgoing items are deposited, in the ordinary course of business, with the U.S. Postal Service on that same day, with postage fully prepaid, in the city and county of San Francisco, California.

If **OVERNIGHT SERVICE** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items for overnight delivery, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for overnight delivery. Under that practice, outgoing items are deposited, in the ordinary course of business, with an authorized courier or a facility regularly maintained by one of the following overnight services in the city and county of San Francisco, California: Express Mail, UPS, Federal Express, or Golden State overnight service, with an active account number shown for payment.

If **FAX SERVICE** is indicated, by facsimile transmission this date to fax number stated for the person(s) so marked.

If **PERSONAL SERVICE** is indicated, by hand delivery this date.

If **INTRA-AGENCY MAIL** is indicated, by placing this date in a place designated for collection for delivery by Department of Insurance intra-agency mail.

Executed this date at San Francisco, California. I declare under penalty of perjury under the laws of the State of California that the above is true and correct.


Jean Hipon

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SERVICE LIST
In the Matter of the Rates, Rating Plans, or Rating Systems of
ALLSTATE INSURANCE COMPANY,
ALLSTATE INDEMNITY COMPANY, Respondents
Case No. PA-2007-00011

<u>Name/Address</u>	<u>Phone/Fax Numbers</u>	<u>Method of Service</u>
Jere Keprios ALLSTATE INSURANCE COMPANY AND ALLSTATE INDEMNITY COMPANY c/o CT Corporation System 818 West Seventh Street, 2 nd Floor Los Angeles, CA 90017	Tel.: 213-627-8252	OVERNIGHT SERVICE FEDEX